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PIZZA PATIO MANAGEMENT LTD.

**SECOND
ANNUAL
REPORT**

For the year ended April 30, 1972



Nothing Beatsa Patio Pizza[®]



PIZZA PATIO MANAGEMENT LTD.

Directors

Jeffrey Barnett
Peter J. Barnett
Norman E. Franks
Alan Savage

Officers

Jeffrey Barnett, President
Peter J. Barnett, Secretary
Norman E. Franks, C.A., Treasurer

Head Office

1170 Bute St., Vancouver 5, B.C.

Transfer Agent

Yorkshire Trust Co.

Auditors

McDonald, Currie & Co.

Investment Brokers

T. A. Richardson Co. Ltd.

Bankers

Canadian Imperial Bank of
Commerce

Annual Meeting

Monday, July 31st, 1972



Jeffrey Barnett
President

PRESIDENT'S REPORT TO SHAREHOLDERS

Record sales—surpassing \$1 million in the fiscal year ended April 30, 1972—have again been attained by your company. Assets have almost doubled, climbing to \$505,313.

Emphasis has been placed this past year on expansion into the Toronto marketing area, and this included the opening of three outlets there. Your company favors a conservative accounting approach, and for this reason, the costs of developing the Toronto market have been entered under expenses instead of being deferred. Also included are the start-up costs of the three Pizza Pubs. This explains why a net loss was recorded; the company continues to be a dynamic part of the food and hospitality industry across Canada.

In fact, at least two more stores will be opened this year in Toronto,

as efforts are made to take advantage of the potential market. As a matter of interest, the third Toronto Pizza Pub recorded the highest volume of business in June, 1972, of any of the company's 15 outlets.

We again look forward to another year of good growth, and want to thank all our shareholders, employees and customers for their support.

A handwritten signature in dark ink, which appears to read "Jeffrey Barnett". The signature is fluid and cursive, with a large loop at the end.



AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Pizza Patio Management Ltd. as at April 30, 1972 and the statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at April 30, 1972 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie Co.

Chartered Accountants

Vancouver, B.C.
June 15, 1972

PIZZA PATIO MANAGEMENT LTD.

BALANCE SHEET

as at April 30, 1972

ASSETS

CURRENT ASSETS

Cash and short-term deposits _____
Accounts receivable (note 3) _____
Inventory - at the lower of cost and net realizable value _____
Prepaid expenses _____

FIXED ASSETS - at cost less accumulated depreciation (notes 1 and 4) _____

OTHER ASSETS (note 2) _____

1972

\$

20,617

24,311

26,286

71,214

381,196

66,990

519,400

1971

\$

94,649

8,068

14,415

13,950

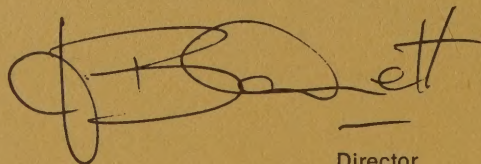
131,082

197,053

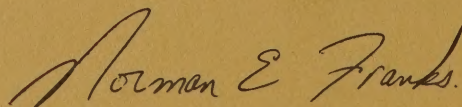
67,758

395,893

Signed on behalf of the Board



Director



Director



LIABILITIES

CURRENT LIABILITIES

	1972 \$	1971 \$
Bank advances (note 3)	48,148	
Accounts payable and accrued liabilities	70,289	56,761
Current portion of long-term debt	34,596	18,179
	<u>153,033</u>	<u>74,940</u>

LONG-TERM DEBT (note 4)	138,586	81,122
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DEFERRED INCOME TAXES	6,778	4,049
	<u>298,397</u>	<u>160,111</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL

Authorized - 1,000,000 common shares of no par value		
Issued and fully paid - 650,000 common shares	180,100	180,100

RETAINED EARNINGS	40,903	55,682
	<u>221,003</u>	<u>235,782</u>
	<u>519,400</u>	<u>395,893</u>

PIZZA PATIO MANAGEMENT LTD. STATEMENT OF EARNINGS

For the year ended April 30, 1972

	1972 \$	1971 \$
SALES	1,096,478	779,102
COST OF SALES	258,892	174,048
GROSS PROFIT	<u>837,586</u>	<u>605,054</u>
EXPENSES		
Advertising and promotion	79,309	59,838
Automobile and delivery	45,123	37,696
Depreciation and amortization	47,396	29,312
Other operating and administrative	156,381	85,646
Rent	78,661	54,172
Salaries and wages	402,781	293,738
	<u>809,651</u>	<u>560,402</u>
OPERATING PROFIT	27,935	44,652
NON-OPERATING EXPENSES (note 8)	43,255	19,752
NET EARNINGS (LOSS) BEFORE INCOME TAXES	<u>(15,320)</u>	<u>24,900</u>
RECOVERY OF (PROVISION FOR) INCOME TAXES		
Current	3,270	(3,270)
Deferred	<u>(2,729)</u>	<u>(2,059)</u>
	541	<u>(5,329)</u>
NET EARNINGS (LOSS) FOR THE YEAR	<u>(14,779)</u>	<u>19,571</u>
NET EARNINGS (LOSS) PER SHARE	<u>(2$\frac{1}{4}$ c)</u>	<u>3c</u>

STATEMENT OF RETAINED EARNINGS

For the year ended April 30, 1972

	1972 \$	1971 \$
BALANCE - BEGINNING OF YEAR	55,682	36,111
Net earnings (loss) for the year	<u>(14,779)</u>	<u>19,571</u>
BALANCE - END OF YEAR	<u>40,903</u>	<u>55,682</u>

PIZZA PATIO MANAGEMENT LTD.

STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

For the year ended April 30, 1972



SOURCE

	1972	1971
	\$	\$
Current operations		
Net earnings before non-operating expenses	79,683	78,522
Non-operating expenses written off (note 8)	(43,255)	(19,752)
	<u>36,428</u>	<u>58,770</u>
Long-term debt contracted	97,806	10,815
Decrease in current portion of long-term debt		6,049
	<u>134,234</u>	<u>75,634</u>

USE

Long-term debt repaid	14,305	15,000
Increase in current portion of long-term debt	16,417	
Finance charges deferred		2,729
Fixed asset additions - net	231,539	114,872
Investment in Pizza Patio Management (Ontario) Ltd.	314	
Shareholders' advances repaid	9,620	18,017
	<u>272,195</u>	<u>150,618</u>
DECREASE IN WORKING CAPITAL	137,961	74,984
WORKING CAPITAL - BEGINNING OF YEAR	56,142	131,126
WORKING CAPITAL (DEFICIENCY) - END OF YEAR	<u>(81,819)</u>	<u>56,142</u>

REPRESENTED BY:

Current assets	71,214	131,082
Current liabilities	153,033	74,940
WORKING CAPITAL (DEFICIENCY) - END OF YEAR	<u>(81,819)</u>	<u>56,142</u>

PIZZA PATIO MANAGEMENT LTD.

NOTES TO FINANCIAL STATEMENTS

For the year ended April 30, 1972

1. FIXED ASSETS

	1972			1971
	Cost \$	Accumulated depreciation and amortization \$	Net \$	Net \$
Automobiles	19,709	11,561	8,148	11,641
Furniture and equipment	131,737	37,694	94,043	37,689
Leasehold improvements	353,867	74,862	279,005	147,723
	<u>505,313</u>	<u>124,117</u>	<u>381,196</u>	<u>197,053</u>

Certain assets are pledged as security for conditional sales agreements, the company's Business Improvement Loan and the company's Industrial Development Bank Loan (note 4).

The company follows the policy of depreciating fixed assets over their useful life and amortizing leasehold improvements over the term of their respective leases.

2. OTHER ASSETS

Other assets are as follows:

	1972 \$	1971 \$
Deferred finance charges, less amounts written off	1,415	2,497
Goodwill - at cost	65,001	65,001
Incorporation costs	260	260
Investment in Pizza Patio Management (Ontario) Ltd. - at cost	314	
	<u>66,990</u>	<u>67,758</u>

3. BANK ADVANCES

Bank advances are as follows:

	1972 \$	1971 \$
Bank overdraft	3,148	
Bank loan, secured by a general assignment of accounts receivable	45,000	
	<u>48,148</u>	<u>Nil</u>

4. LONG-TERM DEBT

Long-term debt is as follows:

Industrial Development Bank Loan (I.D.B.), with interest at 11%, repayable by fourteen monthly instalments of \$1,600 plus accrued interest, which commenced April 23, 1972 followed by forty-three monthly instalments of \$3,200 plus accrued interest. Security for the loan is various mortgages by way of sub-leases on retail shops as well as a mortgage on various items of equipment. At April 30, 1972, \$97,806

4. LONG-TERM DEBT (cont'd).

	1972 \$	1971 \$
had been drawn under the terms of the loan. The balance of \$62,194 will be drawn before April 30, 1973 and is to be used to open two more new retail pizza restaurants in the Toronto area	96,206	
Business Improvement Loan, with interest at 8½%, repayable in monthly instalments of \$416.66 plus accrued interest, secured by a chattel mortgage over some of the company's equipment	13,333	18,333
Due to shareholders, without interest, repayable at \$5,000 per annum ..	14,812	24,432
Note payable to shareholders, resulting from the winding-up of an affiliated company without interest, repayable at \$10,000 per annum. Repayments of this note are to be deferred until the I.D.B. loan has been repaid and consent has been given by the company's bank	40,262	40,262
Conditional sales agreements	8,569	16,274
	<u>173,182</u>	<u>99,301</u>
Less: Current portion	34,596	18,179
	<u>138,586</u>	<u>81,122</u>

5. LOSSES AVAILABLE FOR REDUCTION OF FUTURE YEARS' INCOME FOR TAX PURPOSES

As at April 30, 1972 the company had losses amounting to \$8,402 which are available to reduce income for tax purposes up to 1977.

6. COMMITMENTS

The company has lease commitments for its retail pizza premises and equipment ranging up to ten years with options to renew. The total rental charge for the year ended April 30, 1972 was approximately \$78,600. Minimum annual rentals for the next five fiscal years based on present leases for shops now in operation and under construction are approximately:

	\$
1973	116,000
1974	116,000
1975	116,000
1976	111,000
1977	111,000

7. REMUNERATION TO DIRECTORS AND SENIOR OFFICERS

Remuneration paid to the directors and senior officers of the company, as defined by the British Columbia Companies Act, for the year ended April 30, 1972 amounted to \$63,434 (1971 - \$46,320) for their services as employees of the company.

No directors' fees were paid during the year.

8. NON-OPERATING EXPENSES

The company wrote off the following expenses during the year which did not pertain to current operations:

	1972 \$	1971 \$
(a) Franchise development costs		6,053
(b) Toronto development costs	43,255	12,623
(c) Non-trade bad debts		1,076
	<u>43,255</u>	<u>19,752</u>

The company follows the policy of writing off area development costs in the year in which they are incurred.



Nothing Beatsa Patio Pizza TM

PIZZA PATIO RESTAURANTS

VANCOUVER, B.C.

DOWNTOWN:

West End —

1202 Davie Street

Theatre Row —

*910 Granville Street

English Bay —

*998 Denman Street

KERRISDALE:

2295 W. 41st Avenue

SOUTH VANCOUVER.

5519 Victoria Drive

KITSILANO:

3261 W. Broadway

EAST VANCOUVER:

2647 E. Hastings Street

BURNABY, B.C.

*4623 Kingsway

NORTH VANCOUVER, B.C.

*1933 Lonsdale

WEST VANCOUVER, B.C.

*1428 Marine Drive

NEW WESTMINSTER, B.C.

431 - 6th Street

RICHMOND, B.C.

*608 No. 3 Road

TORONTO, ONTARIO:

**3391 Yonge Street

2424 Bloor Street West

**210 Bloor Street West

*Licensed under the laws of the Liquor Control Board of British Columbia.

**Licensed under the laws of the Liquor Control Board of Ontario.



Proposed Free Standing Building



Nothing Beatsa Patio Pizza®